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BY EMAIL AND RESS

May 24, 2024

Ms. Nancy Marconi
Registrar
Ontario Energy Board
Suite 2700, 2300 Yonge Street
P.O. Box 2319
Toronto, ON M4P 1E4

Dear Ms. Marconi,

EB-2023-0030/EB-2023-0059 – Hydro One Networks Inc. – Hydro One Distribution and Orillia and Peterborough Rate Zones – Responses to Pre-Settlement Clarification Questions

In accordance with the Partial Decisions and Rate Orders issued on December 14, 2023, for EB-2023-0030 and December 19, 2023, for EB-2023-0059 a settlement conference was held in respect of the above noted proceeding from March 20-21, 2024. Prior to the settlement conference, OEB staff asked clarification questions which Hydro One responded to.

Earlier today, Hydro One filed a Settlement Proposal for this proceeding. Attached under separate cover, please find Hydro One's responses to the pre-settlement clarification questions.

An electronic copy of this request has been submitted using the Board's Regulatory Electronic Submission System.

Sincerely,

A handwritten signature in black ink that reads "Elise Andrey".

Elise Andrey

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PRE-SETTLEMENT CONFERENCE
OEB STAFF CLARIFICATION QUESTION - 01

Reference:

Accounting Guidance Update related to Accounts 1588 RSVA Power and 1589 RSVA Global Adjustment: Implementing the Ultra-Low Overnight (ULO) Regulated Price Plan Option, May 23, 2023

Preamble:

On May 23, 2023, the OEB issued an update (Accounting Guidance Update) to its accounting guidance resulting from the implementation of a new optional ultra-low overnight (ULO) price plan.

The Accounting Guidance Update is effective May 1, 2023, but will only be applicable to distributors once the ULO price plan option has been implemented, no later than November 1, 2023.

Interrogatory:

- a) Please confirm that Hydro One has implemented the Accounting Guidance Update for the Hydro One Distribution rate zone, the Peterborough rate zone, and the Orillia rate zone on the date it implemented the ULO price plan option.
- b) If yes, please state the date that it was implemented and confirm that the date was no later than November 1, 2023.
- c) If yes, but the implementation date was after November 1, 2023, please explain.
- d) If no, please explain.

Response:

- a) Confirmed. Hydro One has adopted the Accounting Guidance on a modified manner for the ULO price plan option.
- b) The date of implementation was August 1, 2023.
- c) Not Applicable.
- d) Not Applicable.

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PRE-SETTLEMENT CONFERENCE
OEB STAFF CLARIFICATION QUESTION - 02

Reference:

1. EB-2020-0030, Hydro One Distribution, 2021 Custom IR Update, Decision and Rate Order, December 17, 2020, Revised: February 18, 2021, pp. 17 & 18
2. OEB Letter, Adjustments to Correct for Errors in Electricity Distributor “Pass-Through” Variance Accounts After Disposition, October 31, 2019

Preamble:

In 2021 Custom IR Update decision for the Hydro One Distribution rate zone, the OEB made the following findings:

...The OEB accepts Hydro One’s proposal to adopt the new Accounting Guidance in a modified manner until the OEB otherwise directs Hydro One. The OEB notes Hydro One’s commitment to bring errors identified after disposing of the DVA balances on a final basis, if any, to the OEB’s attention (including any balances allocated to the Acquired rate zones). The OEB further notes that any revisions proposed by Hydro One may be subject to the OEB’s October 31, 2019 letter regarding Adjustments to Correct for Errors in Electricity “Pass-Through” Variance Accounts After Disposition.

Interrogatory:

- a) If OEB Staff and Hydro One reach a settlement in the EB-2023-0030 and EB-2023-0059 settlement conference, please explain Hydro One’s views regarding whether an asymmetrical approach may be appropriate to any changes in Accounts 1588 and 1589 balances, when considering the above-noted 2021 Custom IR Update decision and the OEB’s October 31, 2019 letter.

Response:

- a) Hydro One does not believe that an asymmetrical approach is applicable in this instance, as the pre-2021 balances that were previously disposed of on a final basis remain unaffected. Please also refer to Hydro One’s response to Pre-Settlement Conference OEB Staff Clarification Question 3 for additional background with respect to the adoption of the Accounting Guidance on a modified manner, prospectively, as of January 1, 2021.

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PRE-SETTLEMENT CONFERENCE OEB STAFF CLARIFICATION QUESTION - 03

Reference:

1. EB-2023-0030, 2024 Custom IR Update Reply Submission, November 24, 2023, p. 9
2. EB-2023-0030 / EB-2023-0059, Walkthrough of Hydro One's Accounting and Settlement Process for Accounts 1588 and 1589, Pre-settlement presentation to OEB staff, February 28, 2024

Preamble:

In its reply submission in the EB-2023-0030 proceeding, Hydro One Distribution provided additional detail pertaining to its recording of pre-2021 balances for Accounts 1588 and 1589. Regarding pre-2021 balances (i.e., prior to adopting the Accounting Guidance effective January 1, 2021), Hydro One Distribution indicated that it split Independent Electricity System Operator (IESO) Charge Type (CT) 142 on the IESO invoice in a specific manner. This CT 142 was related to Regulated Price Plan (RPP) settlements and was split between Accounts 1588 and 1589 as follows:

- The portion related to the difference between RPP consumption at the RPP rate and RPP consumption at the Hourly Ontario Energy Price (HOEP) rate was recorded in Account 1588; and
- **The portion related to RPP consumption at the Global Adjustment (GA) rate was recorded in Account 1589. [Emphasis Added]**

Interrogatory:

a) Please confirm that regarding pre-2021 balances and IESO CT 142, Hydro One Distribution has recorded the portion related to RPP consumption at the GA rate in Account 1589, but the OEB requires this portion to be recorded in Account 1588 as stated in the Accounting Guidance. If this this is not the case, please explain.

b)

- i) Please confirm that pre-2021 Hydro One used the following approach.
 - a. CT 148 was reflected into Account 1589.
 - b. The portion of CT 142 equaling RPP minus HOEP for RPP consumption was reflected into Account 1588.
 - c. The portion of CT 142 equaling GA RPP was reflected as a credit into Account 1589 (i.e., as a negative).
 - d. If another approach is used, please explain in detail.
- ii) Please confirm that the offset for #1 c) was Account 4707 and not Account 1588.

1 c) Please elaborate on Hydro One's statement on slide #11 that the embedded distributor
2 RPP kWh @ GA cost portion moved to Commodity Cost (i.e., from Account 1589 to
3 Account 1588) between pre-2021 and post-2021.
4

5 **Response:**

6 a) Hydro One confirms that regarding pre-2021 balances and IESO CT 142, Hydro One
7 Distribution has recorded the portion related to RPP consumption at the GA rate in
8 Account 1589. However, Hydro One states that it has been approved to adopt the
9 Accounting Guidance prospectively, and on a modified manner, starting on January 1,
10 2021. This approval was received in the 2021 Custom IR rate proceeding, EB-2020-
11 0030. Accordingly, Hydro One has received an exception from adopting the
12 Accounting Guidance until after January 1, 2021 due to both data and system
13 limitations raised in the 2021 Custom IR proceeding, which were accepted by the
14 OEB.¹
15

16 As noted in Appendix A of Hydro One's Reply Submission in EB-2023-0030 and EB-
17 2023-0059 (appended as Attachment 1 to this question), Hydro One worked with OEB
18 staff to address the issues with its technology framework and system limitations since
19 2019. Given the limitations that exist, the OEB accepted that Hydro One did not have
20 the historical data to adopt the Accounting Guidance retrospectively and could not fully
21 adopt the Accounting Guidance when it was first issued.² Once modifications are
22 made to the system, changes to the data are made going forward and historical
23 balances cannot be reproduced, and as such, there is no data available to retroactively
24 adopt the Accounting Guidance.³ The adoption of the Accounting Guidance on a
25 modified manner was an acceptable solution developed in consultation with OEB staff
26 and was accepted by the OEB in the 2021 Custom IR proceeding, where the OEB
27 allowed Hydro One to adopt the Accounting Guidance prospectively and on a modified
28 manner.⁴

¹ EB-2020-0030, Decision and Rate Order, p. 17, states:

"The OEB agrees with Hydro One that changes to its technology framework at this time in order to implement the new Accounting Guidance could be costly and can only be applied on a prospective basis. Therefore, the OEB accepts Hydro One's proposal to adopt the new Accounting Guidance in a modified manner until the OEB otherwise directs Hydro One."

² Ibid

³ As noted in Hydro One's Reply Submission in EB-2023-0030 and EB-2023-0059, at p. 16 and p. 25 respectively:

"Hydro One cannot fully adopt the Accounting Guidance retroactively. This position was accepted by the OEB in the 2021 Custom IR proceeding."

⁴ EB-2023-0030 and EB-2023-0059 Reply Submissions, p. 15 and p. 24, respectively, and Appendix A of the Reply Submissions

1 In addition, Hydro One's pre-2021 accounting practice is aligned with the RPP
2 settlement process and methodology that was determined to be appropriate in the
3 OEB's Inspection of the Compliance of RPP Settlements Process and Assessment of
4 the DVA Allocation Methodology issued to Hydro One on March 4, 2019.

5

6 b)

7 i) For the pre-2021 period:

8 a. Confirmed.

9 b. Confirmed.

10 c. Confirmed.

11 d. Not Applicable

12

13 ii) The portion of CT 142 equaling - GA RPP was recorded in 4707 (Charges – Global
14 Adjustment) and was reflected in Account 1589 RSVA GA not Account 1588 RSVA
15 Commodity.

16

17 c) Pre-January 2021, Hydro One recorded the embedded distributor RPP kWh at GA
18 cost portion in CT 142 to 4707 GA Costs which is reflected in Account 1589 RSVA
19 GA. Post-January 2021, after adopting the modified Accounting Guidance and
20 updating our processes, Hydro One recorded the embedded distributor RPP kWh at
21 GA cost portion in CT 142 to 4705 Power Purchases (Commodity Cost) which is
22 reflected in Account 1588 RSVA Commodity.

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1 **APPENDIX A**

2 The following is an excerpt from Hydro One's 2021 Reply Submission outlining the steps
3 it undertook with OEB staff over the 2019 and 2020 period.

4
5 Reference: EB-2020-0030, Reply Submission, pp. 5-7
6

7 On August 30, 2019, Hydro One submitted its 2020 Annual Update (EB-2019-0043).
8 During the course of that proceeding, Hydro One explained that it was exploring
9 technology solutions and accounting considerations that would allow it to obtain the
10 necessary data from its billing system and the IESO's Meter Data Management Repository
11 ("MDMR") system to allow it to adopt the Accounting Guidance. Hydro One also stated its
12 commitment to working with OEB staff to identify a compliant and cost-effective solution.
13

14 Since then, Hydro One participated in two in-person meetings in November and December
15 2019 followed by a series of emailed questions and responses between December 2019
16 and January 2020 which included significant analysis and detail. OEB staff re-engaged on
17 the matter in August 2020 and Hydro One participated in four formal meetings with OEB
18 staff between August and November, and engaged in a series of emailed questions and
19 responses which again included significant analysis and detail. As part of the ongoing
20 discussions, the following items were reviewed and addressed with OEB staff:

- 21 • Hydro One detailed its current settlement process and how it differs from the
22 Accounting Guidance including system limitations (current process is based on
23 actual invoiced retail volume);
24
- 25 • Hydro One outlined its settlement process from a financial statements perspective
26 (which is on an Accrued basis factoring both actual invoiced and unbilled
27 estimation);
28
- 29 • Hydro One worked with its IT solutions team to explore options for adopting the
30 Accounting Guidance and noted the limitations of its current technology framework
31 and the need for a significant investment for an IT system solution;

- 1 • Hydro One's position is that the IT system solution should align with the OEB's
2 Phase 2 requirements. As such, Hydro One discussed the challenges it faces in
3 fully adopting the new Accounting Guidance until Phase 2 is complete (e.g. Hydro
4 One does not receive or store MDMR data on a daily basis or on a calendar month
5 cycle. Hydro One only keeps monthly MDMR readings based on the billing period
6 which is different for different customers (i.e. some billing periods run mid-month
7 to mid-month, Jan 15 to Feb 14, for example); Hydro One has 1.3M customers and
8 they cannot all sync with the calendar month, this would not be practical or
9 efficient);
10
- 11 • Hydro One described how it was able to accommodate the TOU rate change in
12 March 2020 (this was a one-time special arrangement with MDMR to send meter
13 read data before and after the rate change. Under normal circumstances, Hydro
14 One does not have daily MDMR data and it is not possible to efficiently replicate
15 this process on a monthly basis for Hydro One or the MDMR);
16
- 17 • Hydro One described its current OER settlement process (Hydro One settles on
18 an Accrued basis not calendar month basis);
19
- 20 • As part of its ongoing discussions with OEB staff, Hydro One proposed to adopt
21 the new Accounting Guidance in a modified manner using accrued monthly meter
22 reading data (Accrued meter reading = Reversal of Prior Month Uninvoiced Meter
23 reading + Current Month Invoiced Meter reading + Current Month Uninvoiced
24 Meter Reading) to allocate total purchased volumes effective January 1, 2021, until
25 Phase 2 requirements are issued, since actual calendarized meter reading is not
26 available. As indicated previously, this proposed solution will be on a prospective
27 basis.

28
29 Between January 2020 and August 2020 when OEB staff re-engaged on the issue, Hydro
30 One has continued to work to better understand how it's current technology framework
31 would need to be modified to implement the Accounting Guidance.

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**PRE-SETTLEMENT CONFERENCE
OEB STAFF CLARIFICATION QUESTION - 04**

Reference:

EB-2023-0030 / EB-2023-0059, Walkthrough of Hydro One's Accounting and Settlement Process for Accounts 1588 and 1589, Pre-settlement presentation to OEB staff, February 28, 2024

Preamble:

On February 28, 2024, Hydro One performed a walkthrough of its accounting and settlement processes for Accounts 1588 and 1589.

Interrogatory:

- a) Please explain the differences across this presentation when comparing the Hydro One Distribution rate zone, the Peterborough rate zone, and the Orillia rate zone.
- b) Please confirm that the February 28, 2024 walkthrough performed by Hydro One only addressed the RPP settlement process, specifically IESO Charge Type 142 and Charge Type 148. If this is not the case, please explain.

Response:

- a) Peterborough and Orillia were integrated into Hydro One Distribution starting from June 1, 2021. They followed the approved modified approach since integration.
- b) The purpose of the February 28, 2024 presentation walkthrough was to demonstrate the pre and post accounting practice change, which included the treatment of CT 142 and CT 148 and embedded LDC RPP Settlement accounting error.

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PRE-SETTLEMENT CONFERENCE OEB STAFF CLARIFICATION QUESTION - 05

Reference:

1. EB-2023-0030 / EB-2023-0059, Walkthrough of Hydro One's Accounting and Settlement Process for Accounts 1588 and 1589, Pre-settlement presentation to OEB staff, February 28, 2024
2. EB-2023-0030, 2024 Custom IR Update Reply Submission, November 24, 2023, pp. 13, 14, 24
3. EB-2023-0059, 2024 IRM Reply Submission, November 29, 2023, pp. 23, 32

Preamble:

On February 28, 2024, Hydro One performed a walkthrough of its accounting and settlement processes for Accounts 1588 and 1589.

Hydro One's reply submissions (Appendix A) in its applications for 2024 rates suggested that its settlement process is based on actual invoiced retail volume.

However, these reply submissions also stated that for its settlement process Hydro One is using wholesale consumption, but uses retail loss adjusted consumption to apportion the wholesale volumes between the accounts, consistent with the Accounting Guidance.

Interrogatory:

- a) Please confirm that regarding pre-2021 balances, Hydro One's settlement process was based on actual invoiced retail volume. If this is not the case, please explain.
 - i. If the response to part a) of this question is yes, please confirm that this discrepancy would also have an impact on the 2020 and earlier Accounts 1588 and 1589 balances previously disposed on a final basis to various classes of customers for the Hydro One Distribution rate zone. If this is not the case, please explain.
 - ii. If the response to part a) of this question is yes, please confirm that this discrepancy did not impact either the Peterborough rate zone or the Orillia rate zone, since the Accounts 1588 and 1589 balances were integrated into Hydro One on June 1, 2021. If this is not the case, please explain.
 - iii. If the response to part a) of this question is yes, as per slide #14 of the February 28, 2024 presentation, please confirm and explain that Hydro One is unable to correct this discrepancy, given that Hydro One stated that the data is only available starting from January 2021 (so Hydro One cannot go back retroactively). If Hydro One is able to correct this discrepancy retroactively, please explain and quantify the impact.

- 1 b) Please confirm that regarding post-2021 balances, Hydro One's settlement process is
2 based on wholesale consumption, but with retail loss adjusted consumption used to
3 apportion the wholesale volumes between the accounts. If this is not the case, please
4 explain.

5

6 **Response:**

- 7 a) Hydro One clarifies that the RPP settlement was based on retail RPP sales volumes
8 (the customer's metered energy consumption adjusted by the total loss factor as
9 approved by the OEB) which consists of: (1) reversal of prior month unbilled, (2)
10 current month unbilled, and (3) current month invoiced.

- 11 i. In accordance with the response in OEB staff clarification question 3 part a), Hydro
12 One clarifies that there is no discrepancy.
13 ii. There was no impact to either Peterborough rate zone or the Orillia rate zone,
14 since they were only integrated into Hydro One Distribution after Hydro One
15 adopted OEB's Accounting Guidance on a modified manner.
16 iii. See response to part a) sub-part i above.

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- 18 b) Confirmed.

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PRE-SETTLEMENT CONFERENCE OEB STAFF CLARIFICATION QUESTION - 06

Reference:

1. EB-2023-0030 / EB-2023-0059, Walkthrough of Hydro One's Accounting and Settlement Process for Accounts 1588 and 1589, Pre-settlement presentation to OEB staff, February 28, 2024
2. EB-2023-0030, 2024 Custom IR Update Partial Decision and Rate Order, December 14, 2023, p. 16
3. EB-2023-0059, 2024 IRM Partial Decision and Rate Order, December 19, 2023, p. 14

Preamble:

On February 28, 2024, Hydro One performed a walkthrough of its accounting and settlement processes for Accounts 1588 and 1589.

The background of Hydro One's 2024 Custom IR Update decision for its Hydro One Distribution rate zone and the 2024 IRM decision for the Peterborough rate zone and Orillia rate zone indicated that meter reading calendarization calculations were not conducted when settling with the IESO on a monthly basis. It was also noted that this issue was brought to the OEB's attention over three years ago.

Interrogatory:

- a) Please confirm that for the Hydro One Distribution rate zone, the Peterborough rate zone, and the Orillia rate zone, compliance with the following sections of the Accounting Guidance remains outstanding, as per slides #15 and #16:
 - i. Second true-up to actual kWh volumes
 - ii. Calculation of true-up adjustment of CT 148 based on the actual proportionate share of kWh volumes sold for RPP and Non-RPP
 - iii. Anything else not captured on slides #15 and #16
- b) Please confirm that Hydro One is unable to comply with the Accounting Guidance at this time, due to technological limitations related to meter reading calendarization calculations, as noted in the preamble to this question.
- c) Please explain the timeframe when Hydro One expects to comply with these sections of the Accounting Guidance for the Hydro One Distribution rate zone, the Peterborough rate zone, and the Orillia rate zone.
- d) If Hydro One is in compliance for any of its rate zones (the Hydro One Distribution rate zone, the Peterborough rate zone, and the Orillia rate zone), please explain, including the effective dates of compliance.

SUBJECT TO SETTLEMENT PRIVILEGE

1 **Response:**

2 a) Hydro One provides the following response:

- 3 i. Confirmed, this is still outstanding.
4 ii. Confirmed, this is still outstanding.
5 iii. Not Applicable.

6
7 b) Confirmed. Hydro One is unable to fully adopt the Accounting Guidance at this time,
8 but notes that this was the accepted approach until OEB directs otherwise.¹ Due to
9 technological limitations related to meter reading calendarization reporting, Hydro One
10 can only adopt the Accounting Guidance on a modified manner.

11
12 c) Hydro One is working on filing a plan to fully adopt these sections of the Accounting
13 Guidance for the Hydro One Distribution rate zone, Peterborough rate zone, and
14 Orillia rate zone no later than its next Custom IR rebasing application.

15
16 d) All Hydro One rate zones have adopted the Accounting Guidance on a modified
17 manner. Hydro One has not yet fully adopted the Accounting Guidance for any of its
18 rate zones at this time as Hydro One has been operating under the approved modified
19 approach as of January 1, 2021.

¹ EB-2020-0030, Decision and Rate Order, December 17, 2020, p. 17

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PRE-SETTLEMENT CONFERENCE OEB STAFF CLARIFICATION QUESTION - 07

Reference:

EB-2023-0030 / EB-2023-0059, Walkthrough of Hydro One's Accounting and Settlement Process for Accounts 1588 and 1589, Pre-settlement presentation to OEB staff, February 28, 2024

Preamble:

On February 28, 2024, Hydro One performed a walkthrough of its accounting and settlement processes for Accounts 1588 and 1589.

Interrogatory:

- a) On slide #6 and slide #10, please confirm that Hydro One stated that both pre-2021 and post-2021, for Account 1588 cost the following are captured. If this is not the case, please explain.
- (RPP kWh @ RPP price) + (Non-RPP kWh @ HOEP price)
- b) Please confirm that Hydro One should have recorded the following for Account 1588 cost instead, for both pre-2021 and post-2021.
- (RPP kWh @ RPP price) – (RPP kWh @ HOEP price)
- c) If the response to part a) of this question is yes, please confirm that this discrepancy would also have an impact on the 2020 and earlier Accounts 1588 and 1589 balances previously disposed on a final basis to various classes of customers for the Hydro One Distribution rate zone. If this is not the case, please explain.
- d) If response to part a) of this question is yes, please confirm that this discrepancy persisted from January 1, 2021 and forward for the Hydro One Distribution rate zone. If this is not the case, please explain.
- e) If the response to part a) of this question is yes, please confirm that this discrepancy may have impacted either the Peterborough rate zone or the Orillia rate zone, since the Accounts 1588 and 1589 balances were integrated into Hydro One on June 1, 2021. If this is not the case, please explain.
- f) If the response to part a) of this question is yes, as per slide #14 of the February 28, 2024 presentation, please confirm and explain that Hydro One is unable to correct this discrepancy, given that Hydro One stated that the data is only available starting from January 2021 (so Hydro One cannot go back retroactively). If Hydro One is able to

1 correct this discrepancy retroactively, as well as post-2021, please explain and
2 quantify the impact.

3

4 **Response:**

5 a) Confirmed, these costs are reflected in Account 1588.

6

7 b) Confirmed, that Hydro One recorded (RPP kWh @ RPP price) – (RPP kWh @ HOEP
8 price) as part of the CT 142 to 4705 Power Purchases which is reflected in Account
9 1588.

10

11 c) Not applicable. Please also refer to Hydro One's response to Pre-Settlement
12 Conference OEB Staff Clarification Question 3, part a.

13

14 d) Not applicable. Please also refer to Hydro One's response to Pre-Settlement
15 Conference OEB Staff Clarification Question 3, part a.

16

17 e) Not applicable. Please also refer to Hydro One's response to Pre-Settlement
18 Conference OEB Staff Clarification Question 3, part a.

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20 f) Not applicable. Please also refer to Hydro One's response to Pre-Settlement
21 Conference OEB Staff Clarification Question 3, part a.

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PRE-SETTLEMENT CONFERENCE OEB STAFF CLARIFICATION QUESTION - 08

Reference:

1. EB-2023-0030 / EB-2023-0059, Walkthrough of Hydro One's Accounting and Settlement Process for Accounts 1588 and 1589, Pre-settlement presentation to OEB staff, February 28, 2024
2. EB-2023-0030, 2024 Custom IR Update Reply Submission, November 24, 2023, p. 9

Preamble:

On February 28, 2024, Hydro One performed a walkthrough of its accounting and settlement processes for Accounts 1588 and 1589.

Interrogatory:

- a) On slide #6 and slide #10, please confirm that Hydro One stated that both pre-2021 and post-2021, for Account 1589 cost the following are captured. If this is not the case, please explain.
 - (Class B Non-RPP kWh @ actual GA rate)
- b) On slide #6, please confirm that Hydro One also stated that pre-2021, for Account 1589 cost the following are captured. If this is not the case, please explain.
 - (Class B Non-RPP kWh @ actual GA rate) + (RPP kWh @ actual GA rate) – (RPP kWh @ actual GA rate)
- c) Please confirm whether Hydro One has recorded the following for Account 1589 cost, which agrees with both part a) and part b) of this question. If this is not the case, please explain.
 - Charge Type 148 GA (which is Total Class B kWh @ actual GA rate) – (RPP kWh @ actual GA rate) = (non-RPP kWh @ actual GA rate)
- d) If Hydro One is recording the Account 1589 cost consistent with part a), part b), and part c) of this question, please explain why Hydro One made a contradictory statement in its EB-2023-0030 reply submission that “the portion related to RPP consumption at (at GA rate) was recorded in Account 1589”, which is also being explored by OEB staff in its questions above.
- e) As discussed during the meeting on February 28, 2024, please confirm that pre-2021 Hydro One recorded all of CT 148 in Account 1589, instead of splitting it between Accounts 1588 and 1589, in accordance with the Accounting Guidance.

- 1 f) If yes, please explain, as it contradicts with part a), part b), and part c) of this question.
2
3 g) If the response to either part a), part b), and part c) of this question is no, please
4 confirm that this discrepancy would also have an impact on the 2020 and earlier
5 Accounts 1588 and 1589 balances previously disposed on a final basis to various
6 classes of customers for the Hydro One Distribution rate zone. If this is not the case,
7 please explain.
8
9 h) If response to either part a), part b), and part c) of this question is no, please confirm
10 that this discrepancy persisted from January 1, 2021 and forward for the Hydro One
11 Distribution rate zone. If this is not the case, please explain.
12
13 i) If the response to either part a), part b), and part c) of this question is no, please
14 confirm that this discrepancy may have impacted either the Peterborough rate zone or
15 the Orillia rate zone, since the Accounts 1588 and 1589 balances were integrated into
16 Hydro One on June 1, 2021. If this is not the case, please explain.
17
18 j) If the response to either part a), part b), or part c) of this question is no, as per slide
19 #14 of the February 28, 2024 presentation, please confirm and explain that Hydro One
20 is unable to correct this discrepancy, given that Hydro One stated that the data is only
21 available starting from January 2021 (so Hydro One cannot go back retroactively). If
22 Hydro One is able to correct this discrepancy retroactively, as well as post-2021,
23 please explain and quantify the impact.
24

25 **Response:**

- 26 a) Confirmed, these costs are captured.
27
28 b) Confirmed, these costs are captured pre-2021.

29
30 Confirmed, these costs are captured as (- RPP kWh @ actual GA) as part of CT 142.
31 Pre-2021, all of CT 148 was reflected in Account 1589. Post-2021, CT 148 was split
32 between Accounts 1588 and 1589.
33

34 In Hydro One's Reply Submission for this proceeding, the referenced statement "the
35 portion related to RPP consumption (at GA rate) was recorded in Account 1589" was
36 only referring to charge type 142; and does not pertain to charge type 148.
37

- 38 c) Confirmed.

- 1 d) There is no contradiction. Pre-2021, all of CT 148 was reflected in 1589 as well as the
2 RPP kWh @ GA portion from CT 142; therefore it does not contradict parts a), b) and
3 c) above.
4
5 e) Not Applicable.
6
7 f) Not Applicable.
8
9 g) Not Applicable.
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11 h) Not Applicable.
12
13 i) Not Applicable.
14
15 j) Not Applicable.

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PRE-SETTLEMENT CONFERENCE OEB STAFF CLARIFICATION QUESTION - 09

Reference:

1. EB-2023-0030 / EB-2023-0059, Walkthrough of Hydro One's Accounting and Settlement Process for Accounts 1588 and 1589, Pre-settlement presentation to OEB staff, February 28, 2024
2. EB-2023-0059, 2024 IRM OEB Staff Submission, November 15, 2023, p. 16

Preamble:

On February 28, 2024, Hydro One performed a walkthrough of its accounting and settlement processes for Accounts 1588 and 1589.

In the OEB Staff Submission for the Peterborough rate zone and Orillia rate zone, the following confirmation was noted. Specifically, Hydro One confirmed that both the invoices issued by Hydro One Distribution to its embedded distributors and the invoices issued by the IESO to Hydro One were correct.

Interrogatory:

- a) On slide #6 and slide #10, please confirm that Hydro One stated that both pre-2021 and post-2021, for Account 1589 both its cost and revenue related to embedded LDCs is calculated as follows. If this is not the case, please explain.
 - (RPP kWh @ actual GA rate)
- b) Please clarify if the above is typo. If it is not a typo, please confirm that Hydro One did not bill its embedded LDCs properly pre-2021, as Hydro One should have billed its embedded LDCs (non-RPP kWh @ actual GA rate) for Account 1589 and not (RPP GA kWh @ actual GA rate).
- c) If part a) of this question is yes, please explain why Hydro One previously confirmed that both the invoices issued by Hydro One Distribution to its embedded distributors and the invoices issued by the IESO to Hydro One were correct.
- d) If the response to part a) of this question is yes, please confirm that this discrepancy would also have an impact on the 2020 and earlier Accounts 1588 and 1589 balances previously disposed on a final basis to various classes of customers for the Hydro One Distribution rate zone. If this is not the case, please explain.

- 1 e) If response to part a) of this question is yes, please confirm that this discrepancy
2 persisted from January 1, 2021 and forward for the Hydro One Distribution rate zone.
3 If this is not the case, please explain.
4
- 5 f) If the response to part a) of this question is yes, please confirm that this discrepancy
6 may have impacted either the Peterborough rate zone or the Orillia rate zone, since
7 the Accounts 1588 and 1589 balances were integrated into Hydro One on June 1,
8 2021. If this is not the case, please explain.
9
- 10 g) If the response to part a) of this question is yes, as per slide #14 of the February 28,
11 2024 presentation, please confirm and explain that Hydro One is unable to correct this
12 discrepancy, given that Hydro One stated that the data is only available starting from
13 January 2021 (so Hydro One cannot go back retroactively). If Hydro One is able to
14 correct this discrepancy retroactively, as well as post-2021, please explain and
15 quantify the impact.
16

17 **Response:**

- 18 a) Not confirmed. For Account 1589, the GA cost that Hydro One Distribution charged to
19 embedded LDC (eLDC) is embedded in the total 'Class B non-RPP GA Revenue'. The
20 GA costs related to eLDC is in CT 148. Hydro One clarifies that on slides #6 and #10
21 of the February 28, 2024 presentation, the 'eLDC (RPP GA)' is only referring to the
22 RPP GA settlement portion of CT 142. The February 28, 2024 presentation, updated
23 on March 21, 2024, has included this notation.
24
- 25 b) This is not a typo, as Hydro One billed its eLDCs properly pre-2021. Please see
26 response to part a).
27
- 28 c) Not Applicable.
29
- 30 d) Not Applicable.
31
- 32 e) Not Applicable.
33
- 34 f) Not Applicable.
35
- 36 g) Not Applicable.

**PRE-SETTLEMENT CONFERENCE
OEB STAFF CLARIFICATION QUESTION - 10**

Reference:

1. EB-2023-0030 / EB-2023-0059, Walkthrough of Hydro One's Accounting and Settlement Process for Accounts 1588 and 1589, Pre-settlement presentation to OEB staff, February 28, 2024
2. EB-2023-0030, Exhibit A, Tab 4, Schedule 1, Table 8, p. 13, August 17, 2023
3. EB-2023-0030, 2024 Custom IR Update Reply Submission, November 24, 2023, p. 7
4. EB-2023-0030, 2024 Custom IR Update OEB Staff Submission, November 10, 2023, pp. 11 & 13

Preamble:

On February 28, 2024, Hydro One performed a walkthrough of its accounting and settlement processes for Accounts 1588 and 1589.

In the OEB Staff Submission for the Hydro One Distribution rate zone, the following table was presented.

**OEB Staff Submission Table 2 - Reclassification Adjustments for
Hydro One Distribution's Embedded Distributors (Pre-filed Evidence Table 8)**

| | Principal | Interest | Total |
|------------------------------|--------------|-----------|--------------|
| 2021 | | | |
| Account 1588 – RSVA Power | 24,748,877 | 67,875 | 24,816,752 |
| Account 1589 – RSVA GA | (24,748,877) | (67,875) | (24,816,752) |
| 2022 | | | |
| Account 1588 – RSVA Power | 20,162,335 | 756,256 | 20,918,591 |
| Account 1589 – RSVA GA | (20,162,335) | (756,256) | (20,918,591) |

In the OEB Staff Submission for the Hydro One Distribution rate zone, the following confirmation was noted. Regarding the accounting for the embedded distributor invoice on the revenue side, Hydro One confirmed that it incorrectly recorded the debit RPP portion of IESO CT 142 related to GA in Account 1589 (instead of Account 1588), thereby not offsetting the credit RPP portion of IESO GA CT 148 recorded in Account 1588.

1 Hydro One's reply submission for the Hydro One Distribution rate zone stated that when
2 it "was setting up the new process for the new accounting guidance, it incorrectly mapped
3 the entry for embedded distributors."
4

5 **Interrogatory:**

6 a) On slides #11 and #12, please confirm that Hydro One stated that the revenue from
7 embedded LDCs relating to Account 1589 "was stranded and should have moved to
8 1588 Commodity Revenue" and that the RPP GA "revenue amount was moved from
9 GA Revenue to Commodity Revenue."
10

11 b) If yes, please confirm that Hydro One's Reclassification Adjustments for Hydro One
12 Distribution's Embedded Distributors of approximately \$45.7 million for 2021 and 2022
13 were debits to Account 1588 and credits to Account 1589, instead of vice versa,
14 because it related to the revenue amounts billed to its embedded distributors (with
15 respect to CT 142) which mirrored Hydro One's expense amounts (with respect to CT
16 142).
17

18 c) If no, please explain, as it would also contradict the excerpt from the OEB staff
19 submission in the preamble to this question.
20

21 d) Please confirm that the \$45.7 million adjustments for 2021 and 2022 only impacted
22 2021 and 2022 balances, for the reasons stated in Hydro One's reply submission that
23 when it "was setting up the new process for the new accounting guidance, it incorrectly
24 mapped the entry for embedded distributors." If it impacted balances prior to 2021,
25 please explain.
26

27 e) As noted on slide #7, slide #11, and slide #12, please confirm that the above-noted
28 reclassification adjustments impact both pre-2021 and post-2021 Accounts 1588 and
29 1589 balances.
30

31 f) If the response to part e) of this question is yes, please confirm that this discrepancy
32 would also have an impact on the 2020 and earlier Accounts 1588 and 1589 balances
33 previously disposed on a final basis to various classes of customers for the Hydro One
34 Distribution rate zone. If this is not the case, please explain.
35

36 g) If response to part e) of this question is yes, please confirm that this discrepancy
37 persisted from January 1, 2021 and forward for the Hydro One Distribution rate zone.
38 If this is not the case, please explain.

1 h) If the response to part e) of this question is yes, please confirm that this discrepancy
2 may have impacted either the Peterborough rate zone or the Orillia rate zone, since
3 the Accounts 1588 and 1589 balances were integrated into Hydro One on June 1,
4 2021. If this is not the case, please explain.

5
6 i) If the response to part e) of this question is yes, as per slide #14 of the February 28,
7 2024 presentation, please confirm and explain that Hydro One is unable to correct this
8 discrepancy, given that Hydro One stated that the data is only available starting from
9 January 2021 (so Hydro One cannot go back retroactively). If Hydro One is able to
10 correct this discrepancy retroactively, as well as post-2021, please explain and
11 quantify the impact.

12
13 **Response:**

14 a) Hydro One clarifies that only the eLDC settlement from CT 142 related to RPP GA
15 portion was stranded in GA revenue reflected in Account 1589. The regular commodity
16 and GA revenues from embedded LDCs were correctly reflected in 1588 and 1589,
17 respectively (e.g. the non-RPP commodity revenues was reflected in 1588 and the
18 class B non-RPP GA revenues was reflected in 1589).

19
20 b) Confirming “45.7 million for 2021 and 2022 were debits to Account 1588 and credits
21 to Account 1589”. Hydro One has submitted illustrative examples of journal entries
22 and T-accounts as Attachment 1 (PDF and Excel) of this clarification question.

23
24 c) Not Applicable.

25
26 d) Confirmed that the reclassification adjustment only impacted 2021 and 2022 balances.
27 There were no impacted balances prior to 2021.

28
29 e) Not confirmed. The reclassifications only impact 2021 and 2022 balances. Pre-2021
30 was prior to Hydro One adopting the Accounting Guidance on a modified manner,
31 therefore there were no misclassifications.

32
33 f) Not Applicable.

34
35 g) Not Applicable.

36
37 h) Not Applicable.

38
39 i) Not Applicable.

Filed: 2024-05-24
EB-2023-0030/EB-2023-0059
OEB Staff Question
Response No. 10
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Journal Entry and T-Account Illustration of eLDC CT 142 entries and Proposed Correction Post-2021

Consistent with the previous IR illustration, assumptions remain:

RPP Revenue - RPP Energy = \$145, - RPP GA = -\$45 . Therefore, total CT 142 = \$145 - \$45 = \$100

| | Dr | Cr | Dr | Cr | Dr | Cr |
|---|-------|-------|---------------------------------|---------|--------------------------|--------|
| (A) IESO invoiced Hydro One Dx for eLDC CT 142 | | | | | | |
| 4705 Dr. Commodity Cost (RPP Revenue - RPP Energy - RPP GA) | \$100 | | | | | |
| Cr. AP | | \$100 | | | | |
| | | | 4705 Commodity Cost | | 4707 GA Cost | |
| | | | (A) 100 | | | |
| | | | 100 | | | |
| (B) Hydro One Dx Invoice eLDC CT142 | | | | | | |
| Dr. AR | \$100 | | | | | |
| 4055 Dr. GA Revenue(CC 142 - RPP GA) | \$45 | | | | | |
| 4055 Cr. Commodity Revenue (CT 142 RPP Revenue - RPP Energy) | | \$145 | | | | |
| | | | 4055 Sub Acct Commodity Revenue | | 4055 Sub Acct GA Revenue | |
| | | | (C) 45 | 145 (B) | (B) 45 | 45 (D) |
| | | | (E) 45 | 45 (F) | (G) 45 | 45 (E) |
| | | | | 100 | | 0 |
| (C) RSVA Entry to balance Commodity Revenue and Cost | | | | | | |
| 4055 Dr. Commodity Revenue (CT 142 RPP Revenue - RPP Energy) | \$45 | | | | | |
| 1588 Cr. RSVA Commodity | | \$45 | | | | |
| | | | 1588 RSVA Commodity | | 1589 RSVA GA | |
| | | | (F) 45 | 45 (C) | (D) 45 | 45 (G) |
| | | | 0 | | 0 | |
| (D) RSVA Entry to balance GA Revenue and Cost | | | | | | |
| 1589 Dr. RSVA GA | \$45 | | | | | |
| 4055 Cr. GA Revenue(CC 142 -RPP GA) | | \$45 | | | | |
| | | | Accounts Payable | | Accounts Receivable | |
| | | | | 100 (A) | (B) 100 | |
| | | | | 100 | 100 | |
| (E) Correction Entry for eLDC CT 142 -RPP GA portion stranded in GA Revenue | | | | | | |
| 4055 Dr. Commodity Revenue (CT 142 RPP Revenue - RPP Energy) | \$45 | | | | | |
| 4055 Cr. GA Revenue(CC 142 - RPP GA) | | \$45 | | | | |
| | | | | | | |
| (F) RSVA Entry to balance Commodity Revenue and Cost (reiteration of C) | | | | | | |
| 1588 Dr. RSVA Commodity | \$45 | | | | | |
| 4055 Cr. Commodity Revenue (CT 142 RPP Revenue - RPP Energy) | | \$45 | | | | |
| | | | | | | |
| (G) RSVA Entry to balance GA Revenue and Cost (reiteration of D) | | | | | | |
| 4055 Dr. GA Revenue(CC 142 - RPP GA) | \$45 | | | | | |
| 1589 Cr. RSVA GA | | \$45 | | | | |

the amber shaded entry is the net result of the correction entry discussed in EB-2023-0030, Exhibit A-04-01, Section 3.4.1

SUBJECT TO SETTLEMENT PRIVILEGE

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PRE-SETTLEMENT CONFERENCE OEB STAFF CLARIFICATION QUESTION - 11

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Reference:

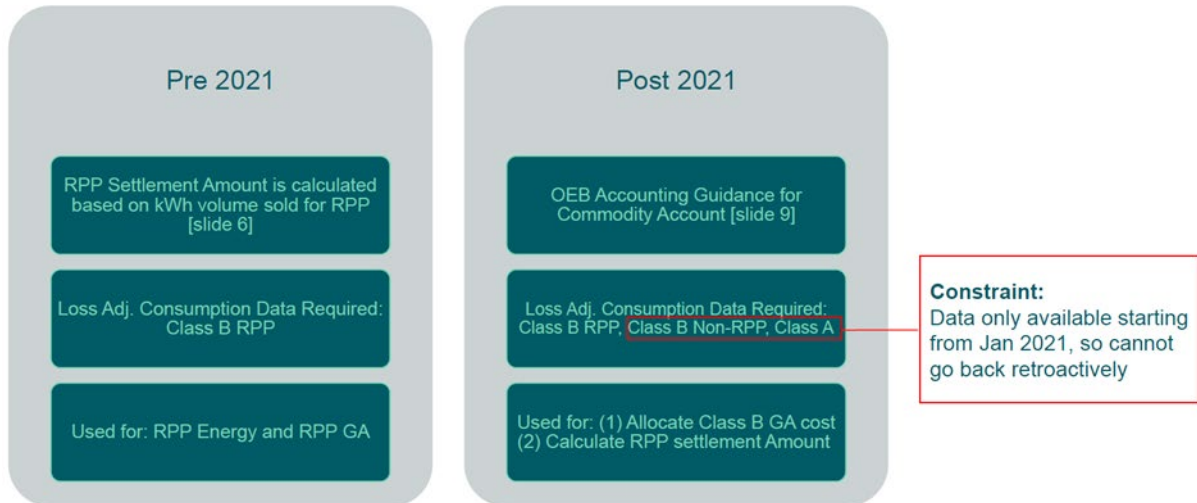
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EB-2023-0030 / EB-2023-0059, Walkthrough of Hydro One's Accounting and Settlement Process for Accounts 1588 and 1589, Pre-settlement presentation to OEB staff, February 28, 2024

Preamble:

On February 28, 2024, Hydro One performed a walkthrough of its accounting and settlement processes for Accounts 1588 and 1589. Slide #14 shows the following chart.

Response to OEB staff's question on data availability



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Interrogatory:

- Please explain whether Hydro One is able to retroactively adjust all items presented in the "Post 2021" column, to the periods prior to January 1, 2021.
- If this is not the case, please explain.
- If yes, please explain whether Hydro One has the data available to correct the pre-2021 DVA balances and adjust the relevant DVA balances. If Hydro One does not have the data, please explain.

- 1 d) As discussed during the meeting on February 28, 2024, please confirm that Hydro
2 One is not able to break down its consumption between Class A, Class B RPP, and
3 Class B Non-RPP, pre-2021. If Hydro One is able to perform this breakdown, please
4 explain, and whether it can adjust the relevant DVA balances.
5
6 e) Please explain whether pre-2021 if Hydro One had Class A data and whether it had
7 reported Class A consumption correctly to the IESO pre-2021.
8
9 f) If the response to part e) of this question is yes, please explain if the Charge Type 148
10 amounts allocated to Hydro One by the IESO were overstated, given the Class A
11 consumption was understated.
12

13 **Response:**

- 14 a) No, Hydro One is unable to retroactively adjust all items presented in the “Post 2021”
15 column, to the periods prior to January 1, 2021.
16
17 b) The data requirement of retail sales volume for the required classes was only made
18 available starting January 1, 2021, so Hydro One is unable to retroactively adjust.
19
20 c) Not Applicable.
21
22 d) Confirmed.
23
24 e) Yes, Hydro One has been reporting Class A consumption correctly to the IESO, pre-
25 2021.
26
27 f) Hydro One clarifies that there is no overstatement from the IESO for Charge Type 148.

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PRE-SETTLEMENT CONFERENCE
OEB STAFF CLARIFICATION QUESTION - 12

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Reference:

- 20 1. EB-2023-0030, 2024 Custom IR Update Partial Decision and Rate Order, December
- 21 14, 2023, p. 15 & 16
- 22 2. EB-2023-0059, 2024 IRM Partial Decision and Rate Order, December 19, 2023, p. 13
- 23 & 14
- 24 3. Filing Requirements for Electricity Distribution Rate Applications - 2023 Edition for
- 25 2024 Rate Applications, Chapter 3, Incentive Rate-Setting Applications, June 15,
- 26 2023, Section 3.2.6
- 27 4. Instructions for Completing GA Analysis Workform – 2024 Rates, June 23, 2023
- 28 5. IRM Rate Generator – DVA Tabs Instructions - 2024 Rates, July 18, 2023

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Preamble:

In both the 2024 Custom IR Update Hydro One Distribution rate zone decision and the 2024 IRM Hydro One Peterborough rate zone and Orillia rate zone decision, the background outlined the following items.

OEB staff was concerned that Hydro One used a select approach in reflecting Accounts 1588 and 1589 principal adjustments on the GA Analysis Workform and the DVA Continuity Schedule, as opposed to a consistent approach.¹ OEB staff stated that Hydro One should comply with the OEB's requirements relating to the GA Analysis Workform and the DVA Continuity Schedule, as set out in the OEB's Chapter 3 filing requirements, as well as the OEB's instructions related to the GA Analysis Workform and DVA Continuity Schedule.

Hydro One disagreed with OEB staff that it used a select approach to reflect Accounts 1588 and 1589 adjustments. Hydro One stated that it is using a consistent approach to reflect Accounts 1588 and 1589 reclassification adjustments on the DVA Continuity Schedule based on audited actuals, consistent with historical practice. Hydro One stated that the two principal adjustments captured on the DVA Continuity Schedule (which are related to the Hydro One Distribution rate zone) were reclassification adjustments related to the audited balances between the two specific accounts only and that the reconciliation items on the GA Analysis Workform were primarily related to timing differences.

¹ Hydro One's select approach reflected only two principal adjustments, as opposed to including all relevant principal adjustments, in the Principal Adjustments tab of the GA Analysis Workform and the DVA Continuity Schedule.

1 OEB staff notes that there are reconciling items of Charge Type 2148 Prior Period
2 Corrections on the 2021 and 2022 GA Analysis Workforms respectively, filed as part of
3 Hydro One's interrogatory responses.

4
5 **Interrogatory:**

- 6 a) Please confirm that going forward, Hydro One plans to use a consistent approach
7 reflecting Accounts 1588 and 1589 principal adjustments on the GA Analysis
8 Workform and the DVA Continuity Schedule, in accordance with the requirements
9 listed in the references to this question.
10
11 b) If yes, please state the proposed implementation date of using a consistent approach,
12 with rationale.
13
14 c) If no, please explain why not.
15
16 d) Please explain if Hydro One prorates the Charge Type 2148 on the IESO invoices into
17 RPP and Non-RPP portions and recorded in Account 1588 and Account 1589
18 respectively. Please confirm if the reconciling items of Charge Type 2148 on the 2021
19 and 2022 GA Analysis Workforms reflect the non-RPP portion of the CT 2148. If not,
20 please explain why not.
21
22 e) Please provide the Charge Type 2128 amounts (by year from 2019 forward) received
23 on the IESO's invoices and explain what period the correction pertains to. Please
24 clarify the accounting treatment of the Charge Type 2148 pre-2021.

25
26 **Response:**

- 27 a) For 2023 balances, Hydro One confirms that it is not opposed to use a consistent
28 approach going forward to reflect Account 1588 and 1589 principal adjustments on the
29 GA Analysis Workform and the DVA Continuity Schedule. In doing so, Hydro One will
30 be adjusting the 1588 and 1589 balances for true-up calculations that are based on
31 high level estimations, until the meter calendarization issues have been resolved with
32 the full implementation of the Accounting Guidance.²
33
34 b) The consistent approach will be adopted starting 2023, prospectively.
35
36 c) Not Applicable.

² EB-2023-0030, Interrogatory Response to OEB Staff 11; and EB-2023-0059, Interrogatory Response to OEB Staff 8

1 d) Confirmed, Hydro One pro-rates the CT 2148 into RPP and Non RPP portions and
2 records into Account 1588 and 1589.

3

4 e) Hydro One assumes OEB staff meant CT 2148 instead of 2128.

5

6 Annual amount for CT 2148:

- 7 • 2019: -\$48,272.81 (all pertaining to fiscal year 2019)
- 8 • 2020: \$0.00
- 9 • 2021: -\$13,959,313.49 (all pertaining to fiscal year 2021)
- 10 • 2022: -\$20,144,053.63 (-\$3,576,971 is pertaining to fiscal year 2021 as
11 disclosed on GA work form; the remainder is pertaining to fiscal year 2022)

12

13 Pre-2021, CT 2148 was all recorded as GA cost reflected in 1589 RSVA GA, which
14 was consistent with CT148.

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PRE-SETTLEMENT CONFERENCE OEB STAFF CLARIFICATION QUESTION - 13

Reference:

1. EB-2023-0030, Exhibit A, Tab 4, Schedule 1, p. 13, August 17, 2023
2. EB-2023-0059, Exhibit A, Tab 4, Schedule 1, p. 15, August 17, 2023
3. EB-2023-0030, Staff Interrogatory #9, October 27, 2023
4. EB-2023-0059, Staff Interrogatory #6, November 1, 2023

Preamble:

Hydro One noted that the GA Analysis Workform for Hydro One's consolidated Account 1588 and 1589 balances has been provided to support the reasonability of these account balances. The reasonability of the threshold test for Accounts 1588 and 1589 is determined on a consolidated basis.

Interrogatory:

- a) The reasonability tests of the thresholds mentioned above are determined on a consolidated basis. Please discuss what would be required to enable Hydro One to present the Account 1588 and Account 1589 reasonability tests on an individual basis for the Hydro One Distribution rate zone, the Peterborough rate zone, and the Orillia rate zone.
- b) If no, please explain why presenting the Account 1588 and Account 1589 reasonability tests on an individual basis for the Hydro One Distribution rate zone, the Peterborough rate zone, and the Orillia rate zone is not a practical exercise Hydro One can undertake.

Response:

- a) Hydro One would require the IESO to issue separate Hydro One Distribution, Peterborough and Orillia invoices by rate zone. Additionally, Hydro One would need system configuration to track other power purchases (such as generation programs) for Peterborough and Orillia as they are currently consolidated into Hydro One Distribution tracking.
- b) As mentioned in interrogatory responses to Staff 9 in the EB-2023-0030 and Staff 6 in EB-2023-0059, Hydro One receives one consolidated invoice from the IESO for the settlement of commodity, bulk transmission and wholesale settlement costs for all service territories, which does not separate the commodity and GA costs for the acquired utilities. As such, Hydro One does not have the data to present Account 1588 and 1589 reasonability tests on an individual rate zone basis.

Filed: 2024-05-24
EB-2023-0030/EB-2023-0059
OEB Staff Question
Response No. 13
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PRE-SETTLEMENT CONFERENCE
OEB STAFF CLARIFICATION QUESTION - 14

Reference:

1. EB-2023-0030, 2024 Custom IR Update Partial Decision and Rate Order, December 14, 2023, p. 18
2. EB-2023-0059, 2024 IRM Partial Decision and Rate Order, December 19, 2023, p.17
3. EB-2022-0057, Oshawa PUC Networks Inc, Decision and Rate Order, p. 8 & 9, December 8, 2022

Preamble:

In both the 2024 Custom IR Update Hydro One Distribution rate zone decision and the 2024 IRM Hydro One Peterborough rate zone and Orillia rate zone decision, the background outlined the following items.

OEB staff noted that Hydro One incorrectly transferred a credit of \$3.2 million to Account 1589 from Account 1595 (2021) in the 2022 transactions portion of the DVA Continuity Schedule (relating to the Hydro One Distribution rate zone) and the GA Analysis Workform. OEB staff stated that this transfer was inconsistent with how the OEB treated similar cases regarding disposition of residual amounts.

A decision related to Oshawa PUC Networks Inc. is a similar precedent where the OEB approved a sub-account of Account 1595 to be refunded only to non-RPP customers (as opposed to all customers), as it was global adjustment in nature.

OEB staff noted that, even though this matter related primarily to the Hydro One Distribution rate zone, it also impacted items such as the GA Analysis Workform which is consolidated across the Hydro One Distribution rate zone, the Orillia rate zone, and the Peterborough rate zone.

Hydro One also disagreed with OEB staff's assertion that Hydro One's approach of transferring the credit of \$3.2 million to Account 1589 from Account 1595 (2021) was incorrect. Hydro One stated that if the same accounting treatment implemented by Oshawa PUC (as referenced as a precedent by OEB staff) was adopted for Hydro One, the refund would be delayed by at least one year and further exacerbate the intergenerational inequity issues, as Account 1595 (2021) will not be eligible for disposition until 2025 at the earliest. Hydro One also stated that with its proposed approach the under-refunded GA amounts would be returned to the applicable non-transition customers as soon as possible.

1 Hydro One also confirmed that the transfer of a credit of \$3.2 million to Account 1589 from
2 Account 1595 (2021) in the 2022 transactions portion of the DVA Continuity Schedule had
3 no impact on the Peterborough rate zone and Orillia rate zone balances. Hydro One stated
4 that this \$3.2 million transfer is included in the consolidated GA Analysis Workform as a
5 reconciliation item in Tab 2022 to reflect the impact on Hydro One's consolidated Account
6 1589.

7
8 **Interrogatory:**

- 9 a) Please discuss the advantages and disadvantages of Hydro One transferring the
10 credit of \$3.2 million from Account 1589 back to Account 1595 (2021).
11
12 b) Please discuss the advantages and disadvantages of Hydro One, in its next rate
13 application, applying for a new sub-account of Account 1595 (2021) to record the credit
14 of \$3.2 million (to be refunded only to non-RPP customers).
15

16 **Response:**

17 a) and b)

18 Hydro One views parts a) and b) as two related steps required for the alternative
19 disposition approach proposed by OEB staff, and as such provides the response
20 accordingly.
21

22 The following are the advantages and disadvantages that Hydro One sees of
23 transferring the credit of \$3.2M from Account 1589 to a newly created sub-account of
24 Account 1595 (2021) to be refunded only to non-RPP customers:
25

26 **Advantages:**

- 27 • Consistent with the approach approved by the OEB in Oshawa PUC's 2023 rates
28 application (EB-2022-0057) and will eventually refund the balances to the
29 appropriate customers.
30

31 **Disadvantages:**

- 32 • OEB approval for the new sub-account of Account 1595 (2021) will be required in
33 its next rate application.
34
35 • The earliest the balances in Account 1595 (2021), including the new sub-account,
36 will be eligible for disposition is during the 2025 rate year (a delay of at least one
37 year relative to the proposed approach by Hydro One). However, there might be a
38 further delay if the disposition threshold is not met in 2025, which will exacerbate
39 the intergenerational inequity.

- 1 • A separate rate rider will need to be developed to dispose of the balance in the
2 new sub-account.
3
- 4 • The 2024 GA rate rider as currently calculated in the application will have to be
5 recalculated, as the transfer of the \$3.2M credit will change the balance in Account
6 1589. Furthermore, as the transfer of the \$3.2M credit balance will occur in 2024
7 it will create a disconnect between the 2021-2022 balance approved for disposition
8 (to be reduced by the \$3.2M).

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PRE-SETTLEMENT CONFERENCE OEB STAFF CLARIFICATION QUESTION - 15

Reference:

1. EB-2023-0030, 2024 Custom IR Update Partial Decision and Rate Order, December 14, 2023, p. 21
2. EB-2023-0059, 2024 IRM Partial Decision and Rate Order, December 19, 2023, p. 21

Preamble:

In the 2024 Custom IR Update Hydro One Distribution rate zone decision, the OEB stated the following:

Despite Hydro One being approved to adopt the OEB's Accounting Guidance on a modified basis, the OEB is concerned that technological limitations are precluding the largest distributor in Ontario from adopting the OEB's Accounting Guidance fully and without modifications. While the modified approach may or may not be giving rise to systemic issues, this approach is requiring Hydro One to create alternative solutions to meter reading calendarization (and perhaps for other charges and charge types as well). The OEB finds this to be a sub-optimal solution and orders Hydro One to present a plan with the costs and implications of fully adopting the OEB's Accounting Guidance on a prospective basis no later than its next Custom IR application.

In the 2024 IRM Hydro One Peterborough rate zone and Orillia rate zone decision, the OEB echoed the above quoted statement, but also added that Hydro One's plan should encompass all of Hydro One's rate zones, including Peterborough and Orillia.

Interrogatory:

- a) Please confirm that Hydro One is working towards presenting a plan with the costs and implications of fully adopting the Accounting Guidance on a prospective basis for the Hydro One Distribution rate zone, the Peterborough rate zone, and the Orillia rate zone, no later than its next Custom IR application.
- b) If yes, please indicate in which upcoming proceeding(s) that Hydro One plans to present its plan to the OEB.
- c) If yes, please discuss Hydro One's proposed implementation date of Hydro One fully adopting the Accounting Guidance for the Hydro One Distribution rate zone, the Peterborough rate zone, and the Orillia rate zone.

1 d) If yes, please state what needs to be completed by Hydro One, step by step (but at a
2 high level), to fully adopt the Accounting Guidance, for the Hydro One Distribution rate
3 zone, the Peterborough rate zone, and the Orillia rate zone.

4

5 e) If no, please explain why not.

6

7 **Response:**

8 a) Confirmed.

9

10 b) Based on discussions with OEB staff at the February 13, 2024 meeting, Hydro One
11 clarified that it will file a plan no later than the 2028 rebasing application.

12

13 c) The proposed implementation date cannot be determined with certainty at this point.
14 Hydro One plans on working with OEB staff to ensure that we will be in full compliance
15 with the OEB's Accounting Guidance.

16

17 d) A discovery phase is currently being initiated by Hydro One on the requirements to
18 adopt the Accounting Guidance. At this time, Hydro One believes a system
19 reconfiguration is required, reporting tools and processes will need to be implemented
20 or enhanced and lastly, associated internal controls and review processes will need to
21 be documented and approved.

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23 e) Not Applicable.

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PRE-SETTLEMENT CONFERENCE OEB STAFF CLARIFICATION QUESTION - 16

Reference:

1. EB-2023-0030, 2024 Custom IR Update Partial Decision and Rate Order, December 14, 2023, p. 21
2. EB-2023-0059, 2024 IRM Partial Decision and Rate Order, December 19, 2023, p. 20

Preamble:

In the 2024 Custom IR Update Hydro One Distribution rate zone decision, and in the 2024 IRM Hydro One Peterborough rate zone and Orillia rate zone decision, the OEB did not dispose of balances relating to Accounts 1588 and 1589 that were accumulated during the 2021 and 2022 calendar years.

In the 2024 Custom IR Update Hydro One Distribution rate zone decision, and in the 2024 IRM Hydro One Peterborough rate zone and Orillia rate zone decision, the OEB stated the following:

If OEB staff and Hydro One reach a settlement, the OEB expects the proposal to include a timeline for whether the balances should be cleared commencing mid-year 2024 or commencing January 1, 2025.

Interrogatory:

- a) If OEB Staff and Hydro One reach a settlement in the EB-2023-0030 and EB-2023-0059 settlement conference, please indicate what would be Hydro One's preferred implementation date to dispose of the Accounts 1588 and Accounts 1589 balances (i.e., commencing mid-year 2024 or January 1, 2025), with rationale.

Response:

- a) Hydro One's preferred implementation approach is to dispose of 2021 and 2022 Group 1 Account balances (including Accounts 1588 and 1589) commencing mid-2024, over a 12-month period.

The prompt implementation will avoid further delays which exacerbate intergenerational inequity. Additionally, a disposition period of 12 months is standard practice and consistent with the approach Hydro One originally adopted in EB-2023-0030 and EB-2023-0059 to derive the applicable rate riders.

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PRE-SETTLEMENT CONFERENCE OEB STAFF CLARIFICATION QUESTION - 17

Reference:

1. EB-2023-0059, 2024 IRM Partial Decision and Rate Order, December 19, 2023, pp. 15 & 16
2. EB-2022-0040, 2023 IRM Decision and Order (Hydro One Orillia and Peterborough), December 8, 2022, pp. 13 & 14

Preamble:

In the 2024 IRM Hydro One Peterborough rate zone and Orillia rate zone decision, the background outlined the following items.

In the 2023 IRM decision relating to the Peterborough rate zone, the OEB determined that the December 31, 2020, Account 1589 balance should be reduced by 30%, due to concerns noted by the OEB. In the 2024 IRM proceeding, OEB staff observed that Hydro One staff commenced performing the accounting function for the Peterborough rate zone post June 1, 2021 (the integration date). A similar 30% reduction of the Account 1589 balance for the period January 1, 2021, to May 31, 2021, period (i.e., when the Peterborough legacy staff was still performing the accounting) would be a disallowance of \$264,054.

OEB staff questioned whether a similar disallowance would be appropriate in the 2024 IRM proceeding for the Peterborough rate zone. This was given that Peterborough legacy staff was still performing the accounting function for the January 1, 2021 to May 31, 2021 period.

In its reply submission, Hydro One noted that although it was unable to confirm whether the pre-integration commodity balances followed the Accounting Guidance, it was unnecessary to apply a similar disallowance on the pre-June 1, 2021 Account 1589 transactions (amounting to a further reduction of \$264,054 to Account 1589).

Hydro One concluded that any further reductions to the pre-integration transactions for the first five months of 2021 would be overly excessive. Hydro One submitted that OEB staff did not consider the difference in circumstances that were present in the 2024 IRM application, thus the rationale for a further disallowance on the pre-June 1, 2021 Account 1589 balance was not justified.

1 **Interrogatory:**

2 a) Please explain Hydro One's statement that OEB staff did not consider the difference
3 in circumstances that were present in the 2024 IRM application.
4

5 **Response:**

6 a) In the 2023 IRM application, the OEB reduced the debit balance in Account 1589 by
7 30% as "a reasonable buffer against the risk of an overcharge to ratepayers" because
8 of the variability in the Account 1588 balance ranged between 1% to 6% of Account
9 4705 during the 2017 to 2020 period. This range of variability gave rise to concerns
10 over the accuracy of the commodity balances.
11

12 In the 2024 IRM application, the Account 1588 and 1589 balances were below the 1%
13 threshold for 2021 on a consolidated basis. Based on the Chapter 3 Filing
14 Requirement, this should not have raised any concerns over the reasonability of the
15 2021 balances for both 1588 and 1589.¹ Based on this reasonability test, there is no
16 reason to be concerned about the variability of Peterborough rate zone's commodity
17 accounts, let alone for only a partial year balance for the first 5 months specific to the
18 Peterborough rate zone. The OEB also ordered 30% reduction was applied to a full
19 year's balance when the variability occurred between 2017 and 2020, so it seems
20 overly excessive to be penalized by the same amount on a partial year's balance in
21 2021 when the overall consolidated reasonability test in 2021 was acceptable.
22

23 As the above noted circumstance was not specifically acknowledged in OEB staff's
24 submission, it led to Hydro One's belief that this difference in circumstance from the
25 prior IRM application was not considered in OEB staff's submission.

¹ In the Chapter 3 Filing Requirements for 2024 Rate Applications, p. 13 states:
"Any unexplained discrepancy that is greater than +/- 1% of the total annual IESO GA charges is considered material and warrants further analysis and supporting evidence. To further support a conclusion that GA charges have been appropriately allocated between customer classes, distributors must also perform a reasonability test for Account 1588."